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Second country cooperation framework for Lesotho (2002-2004)

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Introduction

1. The second country cooperation framework (CCF) for the Kingdom of Lesotho for the period 2002-2004 is a result of extensive consultations with the Government as well as key development and civil society partners. The CCF has been prepared in coordination with the ongoing government initiatives for preparation of a Vision 2020 and a Poverty Reduction Strategy Paper (PRSP). In addition, the proposed strategy for UNDP interventions is guided by the July 2000 United Nations Common Country Assessment (CCA) and the December 2000 United Nations Development Assistance Framework (UNDAF).

I. Development situation from a sustainable human development perspective

2. Lesotho is slowly recovering from the civil strife that followed the disputed May 1998 elections. The protests culminated with military intervention by forces of the Southern African Development Community during September 1998. Following the restoration of law and order, a multi-party Interim Political Authority (IPA) was established to oversee preparations for the next general elections. Despite a protracted deadlock between the IPA and the Government, a new Independent Electoral Commission has been appointed and agreements have been reached on a new electoral model and the methodology for voter registration. New elections are provisionally scheduled for the first quarter of 2002. Political stability and governance reform remain fundamental to effectively address the vast economic and social problems facing the country.

3. In the decade prior to 1998, Lesotho witnessed a remarkable economic boom. The economic expansion was driven mainly by the large-scale constructions of the Lesotho Highlands Water Project and rapid growth in the exports of manufactured textiles and clothing. However, towards the late 1990s, these two growth engines slowed down. Structural problems in the financial and utilities sectors were also building up and the remittances from Basotho migrant miners in South Africa, on which Lesotho is heavily dependent, continued to decline, with falling gold prices and increased mechanization in the industry. The economy was dealt a further blow by the civil unrest that followed the disputed elections. As a result, the economy went into its first outright recession in more than 20 years.

4. During the past two years, economic activity has been resuming slowly. In 2000, gross domestic product was estimated to have grown by 2.5 per cent, whereas gross national product had fallen by 0.5 per cent. Increasing pressures have mounted on the balance of payments resulting from reduced transfers of remitted labour incomes, falling levels of official development assistance and a reduction in foreign direct investments, especially after the events of 1998. In order to stabilize and revitalize the economy, the Government is pursuing policies to liberalize and restructure key economic sectors, most notably through financial sector reform and privatization of publicly owned utilities, as well as infrastructure development. Keeping the budget deficit in check, maintaining low levels of inflation, and stemming the growing external imbalances are seen as key factors in restoring macroeconomic stability and injecting confidence into the economy. Since January 2001, the Government's medium-term policies have been guided by an interim PRSP and supported by a loan agreement under the Poverty Reduction and Growth Facility of the International Monetary Fund.

5. Despite the impressive rates of economic growth over the past 20 years, large groups of the population remain trapped in poverty. As documented in the 1998 National Human Development Report for Lesotho, the distribution of income is highly unequal and biased against the majority of the population living in the rural areas — although with the high rates of urbanization, poverty is increasingly migrating into urban areas. Household incomes have been further suppressed by reduced agricultural productivity and the decline in remitted earnings from Basotho migrant miners. Rapid retrenchment of miners and a growing workforce, coupled with low growth in employment opportunities, have resulted in an unemployment rate of around 40 per cent. Women and youth are particularly hard hit by unemployment. Independent estimates of the share of the population living in absolute poverty range as high as 70 per cent, although a nationally accepted poverty line is yet to be established. On the Global Human Development Index, Lesotho currently ranks 127 out of 174 countries.

6. While levels of income poverty and unemployment show no signs of improvement, key

indicators of human poverty are also either declining or stagnant. In 1998, a total of 55 per cent of school-age children attended primary school, compared to 77 per cent in 1989, with enrolment rates for girls falling fastest. To curb these disturbing developments, the Government has introduced a comprehensive plan for free primary education, which is being phased in over a seven-year period starting January 2000. However, the effect of lower primary school enrolment rates has already led to a marked increase in illiteracy levels especially among females. And while significant improvements have been made in making available safe water and sanitation in urban areas during the first half of the 1990s, only limited progress has been made in rural areas. Lesotho has traditionally boasted one of the highest rates of life expectancy in the region and other indicators of longevity such as infant mortality rates have improved significantly over the past decades. However, the HIV/AIDS pandemic is rapidly reversing these achievements. According to some estimates, more than one third of the adult population is HIV positive, with a disproportionately high rate among younger women.

7. Despite the improved environmental policy and institutional framework, which bolstered environmental awareness, many environmental challenges remain. The most pressing issues in need of development assistance at present include: the inefficient management of the fragile mountain ecosystem; an ineffective land tenure system, recurring droughts exacerbated by population pressure and over-reliance on biomass as an energy source. The environmental degradation is triggered by the prevailing poverty situation. Moreover, the national plan to implement Agenda 21 still needs to be adopted as does the national population policy.

8. There are deeply entrenched gender biases and inequities in Lesotho, which favour men and tend to denigrate women, yet paradoxically, women in Lesotho play major roles in both social and economic activities. With the large dependence on male migrant labour, women account for more than 60 per cent of the national population, they enjoy higher rates of educational attainment and literacy, and dominate the rural small land holdings, which provide subsistence to the majority of the population. Women own almost three quarters of small enterprises. Nonetheless, despite their seemingly dominant role, women suffer from discriminatory legislation, customary laws and male-oriented cultural prejudices.

II. Results and lessons of past cooperation

9. The first CCF was divided into three thematic areas, covering: (a) enhanced governance and capacity development for economic management and civil service reform; (b) human resources development and employment creation; and (c) rural development and environmental management. Interventions under these thematic areas were formulated in close collaboration with government and development partners, and were significantly shaped during the Eighth Round Table Conference, co-chaired by the Government of Lesotho and UNDP, in 1997, under the title *Poverty Reduction within the Context of Good Governance*. Not surprisingly, implementation of programmes were affected by the instability surrounding the 1998 elections. However, several other factors also influenced performance in either positive or negative ways.

A. Enhanced governance and capacity development for economic management and civil service reform

10. Clearly, the first thematic area, concerning governance, was most directly affected by the events of 1998. UNDP served to provide neutral mediation in a complex and unstable political environment. Training programmes conducted in the area of conflict resolution for key governance stakeholders contributed to the preparation of an agreement on national reconciliation in December 1999. In responding to the changing political landscape, a significant component of this thematic area shifted to support the Interim Political Authority (IPA) and the Independent Electoral Commission (IEC). UNDP supported the Government of Lesotho and the IEC by providing international expertise, which contributed to arriving at final decisions on the electoral model, a consensus towards a revised voter registration system and paving the way for fresh elections in early 2002. Within this first thematic area, support was also rendered to elaboration of the Sixth National Development Plan, as well as preparations for the Eighth Round Table Conference.

The Government's confidence in UNDP as a principal partner in designing anti-poverty policies was re-emphasized when UNDP was invited to participate in the preparation of a PRSP as members of the Government's Technical Working Group and approached for technical and financial assistance to support the Vision 2020 process.

B. Human resources development and employment creation

11. Under the second thematic area, UNDP interventions were directed towards strengthening the technical and institutional capacity of the Ministries of Employment and Labour and Trade and Industry. Two projects were designed to strengthen labour market analysis, as well as to support policy formulation and the establishment of a database to guide and monitor policies in both ministries. In addition, under the project for small and medium enterprise and informal sector development, small-scale entrepreneurs were targeted for skills training to boost incomes and employment opportunities. In collaboration with the United Nations Capital Development Fund, the project also supported microcredit initiatives run by a group of non-governmental organizations (NGOs). The key lesson learned from this intervention is that the support to the small, medium and micro-enterprises (SMME) sector should be preceded by support to the development of proper policies that provide the necessary guidance, focus and coordination of activities. The importance of supporting SMME development through improved access to credit facilities was another key lesson derived from the project.

C. Rural development and environmental management

12. Under this thematic area, continued support was provided to the institutional strengthening of the National Environment Secretariat (NES), to oversee and coordinate environmental activities at the local, regional and national level, within the framework of a revised National Environment Action Plan. Environmental legislation, Environment Impact Assessment guidelines and other standards were drafted and are expected to have been enacted by parliament by 2002 as key implementation tools. With UNDP support, NES has also formulated an Environment Policy and National Action Plans for implementing the Convention on Biodiversity, the United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification and the Montreal Protocol on Protection of the Ozone Layer. Through the National Environment Youth Corps project, more than 2,000 adolescents were trained in environmental rehabilitation and income generation. In 1999, UNDP assisted the Government, through NES, to access Global Environment Facility (GEF) funds for implementing a five-year programme aimed at conservation and utilization of Lesotho's mountain biodiversity for sustainable livelihoods and poverty reduction.

III. Objectives, programme areas and expected results

13. The second CCF is being prepared in parallel and as a response to the ongoing processes within the Government to formulate a Poverty Reduction Strategy and a Vision 2020. A two-pronged approach is envisaged. First, the core thrust of the proposed strategy will be to establish mechanisms that support the design, coordination, implementation and monitoring of these and other key policy instruments under each thematic area. Secondly, partnership-based project and programme interventions will be designed within these policy frameworks, to generate best practices and promote evidence-based policy making. The major difference between the proposed strategy and the one pursued under the previous CCF is the step-up in policy and advisory functions supported by project interventions, to catalyse change and improvements in policy design, implementation and monitoring. The broad-based consultations that drove the CCA/UNDAF process served to identify the key developmental issues facing Lesotho and these emerging issues will guide UNDP interventions both on policy and at the project/programme level.

14. As recommended by the Country Programme Review, support to these policy instruments will be consolidated under one thematic area: poverty reduction, which will also include a separate new component to support effective implementation of the Government's strategy to combat the HIV/AIDS pandemic. The second thematic area is good

governance, which will include a mix of extended and new interventions to support the democratization process. Considering the profound environmental problems that continue to plague the country and UNDP proven results in the field, environment will form the third thematic area. Vertical linkages will be forged between the core policy thrusts and supportive project interventions, which will be pursued in accordance with their potential for catalysing change and generating best practices. A specific objective of the second CCF is to explore and exploit the transformative potential in the accelerated strategic use of information and communication technology (ICT). Efforts in this area will be guided by the UNDP Business Plan and the United Nations Information Technology Services.

A. Poverty reduction

15. As was documented in the CCA, Lesotho today faces the dual challenge of securing macroeconomic growth and stability while ensuring that sustainable improvements are made in the livelihoods of the poorest groups. This challenge will be addressed within a framework of prioritized policies that focus on pro-poor growth, reducing inequality and empowerment of the nation's poorest. The policy thrust will be supplemented through a series of more distinct interventions rooted in the pro-poor policy framework and designed with specific attention to the lessons learned during the previous CCF. The United Nations Theme Group on Poverty Reduction will provide the overall guidance and coordination of UNDP and other United Nations agency interventions within the United Nations Action Strategy for Halving Extreme Poverty. UNDP will pursue these objectives by supporting the ongoing government initiatives of formulating a long-term Vision 2020 for the country, of which the proposed PRSP is an integrated mechanism. Support will be rendered in the form of technical and financial assistance to the design of economic and social policies that are deliberately biased towards the poorest and most vulnerable groups and formulated in partnership with them. Moreover, the proposed programme on Community Empowerment in Development Planning is aimed at greater inclusion of the poorest communities by speeding up the decentralization process and strengthening local government structures. Forging partnerships between the Government, donors and civil society will determine the effectiveness of these processes and will remain a key priority for UNDP.

16. A closely linked set of interventions will be provided to assist the country in the fight against the HIV/AIDS pandemic. A separate programme will be developed to assist the Government and its civil society partners with the implementation of the National Strategic Plan and the policy, as well as building institutional capacity of the Lesotho AIDS Programme Coordinating Authority to plan and implement multisectoral strategies to limit and mitigate the spread and impact of HIV/AIDS. Moreover, UNDP will assist the Government in preparing for a Round Table Conference to mobilize funds for the implementation of the National Strategic Plan, and mechanisms will be built to secure effective disbursement and maximum impact. Technical and financial assistance will be sought from the regional HIV/AIDS programme. A key additional element of the accelerated response to the HIV/AIDS pandemic is the Joint United Nations Partnership Support to Combat Transmission of HIV/AIDS, which focuses on raising awareness, improving access to health services and counselling, as well as generating employment opportunities among adolescent girls. This first fully joint programme of United Nations agencies will be provided with funding from the United Nations Fund for International Partnership.

17. With the assistance of the United Nations Volunteers (UNV), the efficacy of community-based urban upgrading for poverty reduction through employment creation will be demonstrated, drawing on the perceived strengths of decentralized structures, including municipal authorities. UNV support in the areas of reproductive and maternal health, rural development and decentralization, information technology and the environment, will continue. In addition, the lessons learned during the previous CCF in SMME development and micro-finance will be pursued to support income generation and the promotion of informal and formal private sector development. The target beneficiaries of direct UNDP interventions will be the poorest urban and rural communities, as well as unemployed youth, women, herd boys and other vulnerable groups.

18. Support to projects/programmes and policies will be underpinned by UNDP assistance in establishing viable mechanisms for monitoring poverty in Lesotho. Such monitoring systems, reflecting the

multidimensional nature of poverty, will be designed to have the maximum possible impact on evidence-based policy-making. Support in this area will focus on capacity-building for formulation of nationally owned poverty definitions, including poverty datum lines that are sensitive to gender and location, as well as institution-building for sequenced information gathering and policy analysis. The National Human Development Report will serve as a distinct input into the monitoring and policy design processes, to build recommendations for improving the livelihoods of the poorest, most vulnerable and socially excluded groups.

B. Good governance

19. The objectives of the UNDP governance programme over the period of the CCF are to create an enabling environment for pursuing the country's development agenda, including poverty reduction. The programme will support Lesotho's democratic processes, including preparations for the holding of democratic elections; mainstreaming of gender concerns; transparent and accountable governance; and strengthened national capacities for peaceful management and resolution of conflict. Special emphasis will be provided for the mobilization of political parties, NGOs, traditional leaders, church groups and women's organizations to play an active role in the electoral and democratization processes.

20. Firstly, UNDP will support Lesotho's national reconciliation and electoral reform processes; provide technical and other assistance to the IEC in the preparations for the next parliamentary elections, and coordinate the mobilization of donor resources for the process. The programme will seek to provide post-electoral support and voter educational programmes to foster a deeper understanding of democracy in practice and to institutionalize the basic values that underpin it. Technical assistance to the IEC, both in the short-term preparations for the next election and long-term capacity-building within the IEC, will emphasize enhanced and more effective use of ICT, to modernize the electoral systems. Throughout these processes, UNDP will remain committed to maintaining its role as a neutral mediator and facilitate dialogue within Lesotho and among regional and international bodies.

21. Secondly, the programme will support finalization of the gender policy and development of national action plans for the advancement of women. Particular attention will be placed on increasing the number of women parliamentarians in the National Assembly, advocacy for the repeal of discriminatory laws, removal of cultural impediments to women's full and active participation in national development and adoption of public policies to ensure increased appointment of women to managerial and other decision-making positions within the public service. Thirdly, and in line with the Government's new initiative to fight corruption and abuse, UNDP will offer capacity-building support to the Directorate on Corruption and Economic Crimes. The assistance will focus on strengthening the Directorate's ability to investigate corrupt practices, to identify supportive legislative changes and programmes necessary for an effective war against corruption and to develop mechanisms and procedures for effective follow-up.

22. Public and traditional institutions with a lead role in the management and resolution of conflict will network more closely with each other and with civil society organizations. When disagreements occur, there will be recognized machinery to foster dialogue and negotiation and popular expectation that agreement and compromise will be reached without resorting to violent conflict. Further, there will be a strengthened national culture of tolerance and accommodation of other people's views. The foregoing thematic interventions will be supported by advocacy and implementation of national and global human rights instruments, with specific attention to women, youth, people living with HIV/AIDS and other vulnerable and socially excluded groups.

C. Environment

23. UNDP has made great strides in supporting the incorporation of environmental concerns into the national development planning process. Significant upstream achievements have been generated in institutional capacity-building and the formulation of policy and legislative instruments. Under the second CCF, these experiences will be leveraged to support implementation of the Framework Environmental Legislation and technical support will be made available to mainstream environmental priorities into the national poverty reduction strategy. Within this policy framework, UNDP will provide assistance to key government institutions such as the National Environmental Secretariat, to promote compliance with

international and regional conventions, protocols and other arrangements and follow-up to major environmental conferences, especially national participation in the Rio+10 meeting in 2002. Progress in policy implementation will be monitored through regular State of the Environment Reports, for which an environmental database will be supported. Information technology capacities of NES will also be strengthened.

24. Policy implementation will also be supported through targeted interventions in key select areas: improved capacity of local authorities, community-based groups and the private sector in environmental management, conservation and sustainable utilization of the country's globally and nationally significant yet threatened natural resources through nature-based tourism; innovative farming methods based on high value commercial crops; and exploitation of renewable natural resources. Moreover, continued support will be provided to a revitalized and strengthened National Environment Youth Corps, including a microcredit component for adolescent girls, with a view to increasing employment, reducing household level poverty, as part of the Joint United Nations Partnership Programme to Combat the Transmission of HIV/AIDS among this vulnerable group. The Biodiversity Strategy will provide the basis for sustained support to several biodiversity initiatives in the new CCF, most importantly the GEF-funded programme on conservation of mountain biodiversity in southern Lesotho. A new programme for the promotion and adoption of renewable energy technology, also with GEF funding, will be implemented.

IV. Management arrangements

A. Results-based management: assessment of programme performance

25. The CCA/UNDAF process has initiated a process of establishing a comprehensive monitoring and evaluation framework that will guide CCF implementation and review. CCA/UNDAF indicators will be streamlined with strategic results framework indicators to provide the basis for annual and mid-term reviews of the CCF. The annual reviews will ensure that the CCF remains relevant to key development challenges in the country, and that implementation is responsive to national priorities. A country review will be scheduled at the midpoint of the CCF, to assess performance and reorient programme activities as necessary, with the involvement of other development partners. This activity will be synchronized with other United Nations agency reviews within the context of the harmonized programme cycles, with specific attention accorded to the inter-agency schedule of the joint programme reviews. Tripartite review meetings will provide participatory, results-oriented decision-making, and assess the effectiveness of the national execution modality and recommend management improvements as appropriate. Cluster evaluations will be conducted selectively to further exploit synergistic effects among the areas of intervention, strengthen programme linkages and ensure that lessons learned and best practices are identified and integrated into the programmes. The auditing of projects and programmes will be strengthened in order to ensure greater transparency and accountability.

B. Execution modalities

26. National execution is increasingly becoming the most preferred modality in Lesotho and is proposed to cover 90 per cent of programme activities under the second CCF. During the previous strategy, the shift in execution modality has been supported by capacity-building programmes undertaken jointly between the Government and UNDP. Under the proposed strategy, capacity-building efforts will continue and international expertise will be provided when and if necessary. High priority will be placed on ICT in key programme areas to underpin national managerial and analytical capacity in the Ministry of Development Planning, Bureau of Statistics, Ministry of Environment, Gender and Youth Affairs, and the newly formed Independent Electoral Commission (IEC).

C. Support to the United Nations system

27. The CCA was completed in June 2000 and the UNDAF, completed in early 2001, forms the basis for formulation of all United Nations agencies' country programmes, including the second CCF. The proposed strategy will be the key instrument in operationalizing in Lesotho the United Nations Action Strategy for Halving Extreme Poverty. The strategic focus of UNDP collaboration is centred on providing a coordinated response to key policy, advocacy and practical

programmatic activities designed to maximize the impact of poverty reduction initiatives. All country programmes will be harmonized under the UNDAF in 2002. The UNDAF will be the main instrument to assist the country's follow-up to the United Nations global conferences. Collaboration is continuously increasing among the United Nations agencies. Already, the first joint programme on HIV/AIDS has been approved with United Nations Fund for International Partnership funding. Moreover, the United Nations Country Team, under the auspices of the Resident Coordinator system, has formed five inter-agency theme groups to ensure a streamlined and effective United Nations system that responds to government developmental priorities in a holistic, coherent and collaborative manner.

D. Partnerships and resource mobilization strategy

28. The resource mobilization and partnership strategy for the second CCF will hinge on regular policy dialogue with strategic partners in the donor community, as well as among civil society, as set out in the strategic results framework. The strategy will emphasize mobilization of parallel financing to augment core resources allocated for achievement of the country office's objectives and activities. Further, on the basis of lessons learned in the previous cooperation framework, the CCF will be actively employed as a tool both to outline the priority areas of the country office's cooperation programme and to attract cost-sharing financing from development partners. Cost-sharing arrangements with the Government of Lesotho and development partners will be maintained and enhanced, within the framework of the UNDAF. Drawing on UNDP comparative advantages, including provision of upstream policy advice and advocacy in defining Lesotho's poverty reduction strategies, as well as coordination of donor assistance to the democratization and electoral processes, the country office will forge partnerships around the achievement of programme results and, for that purpose, continue to involve participating donors and beneficiaries in the monitoring and evaluation of programmes and projects

Annex

Resource mobilization target table for Lesotho (2002-2004)

Source	Amount (In thousands of United States dollars)	Comments
UNDP regular resources		
Estimated carry-over	(4)	Includes carry-over of TRAC 1, TRAC 2 and the earlier AOS allocations.
TRAC 1.1.1	3 320	Assigned immediately to country.
TRAC 1.1.2	0 to 100 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3	600	
SPPD/STS	119	
Subtotal	**4 035**[a]	
UNDP other resources		
Government cost-sharing	1 020	
Third-party cost-sharing	300	
Funds, trust funds and other		
	of which:	
GEF	2 500	
UNCDF	485	
Montreal Protocol		
UNV	360	
Norwegian	500	
Subtotal	**5 165**	
Grand total	**9 200**[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: AOS = administrative and operational services; GEF = Global Environment Facility; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core; UNCDF = United Nations Capital Development Fund; and UNV = United Nations Volunteers.